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**INNOVATIONS AND TRENDS IN  
FINANCIAL SYSTEM**

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# **INNOVATIONS AND TRENDS IN FINANCIAL SYSTEM**

*Editors:*

**Rathi K.N.**

**Kamalraj Mohan**



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## **Preface**

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This edited book '*Fedha*'—A Light in to new ways of Finance, aims to present the real picture of the research in the field of Finance in Rural Kerala. The major findings of articles in the book lead to the knowledge of real world of investment in the eyes of rural population. It involves a great effort of more than fifty research minds in different subthemes of Finance like Behavioural Finance, corporate finance and Banking services.

The expected audience of the book consists of researchers, research students, Practitioners and investors.

We would like to convey our appreciation to all the contributors including the authors of the Chapters in this book.

Our special thanks to our Head of the department Prof. Bindu T. for her continuous support and great effort to bringing the book in to fruition. We expresses here our sincere gratitude to Dr. E. Jayan principal of our institution who motivated us for this endeavour.

This book - Fedha - is to be published as part of a national seminar on Financial Derivatives and the meaning of Swahili word Fedha is FINANCE...

## Foreword

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It makes immense pleasure that a new academic horizon is being opened up for the enrichment and refinement of the knowledge base, offers a new realm of academic excellence to meet the challenges in the contemporary global scenario of Commerce & Management. Since it is a quality oriented endeavor in the form of a Research publication as a part of the National Seminar on 'Financial Derivatives', this can provide a valuable academic base, culture and quality among the teachers, research scholars and seekers in the concerned field. The selection of research articles pertaining to such a vibrant and dynamic area could transform the beneficiaries by a new academic experience and exposure. It is really a valuable and remarkable academic contribution of the Department of Commerce to bridge the gap to a certain extent in the related academic space. Hope that let it be a mile stone in the glorious academic path of the institution leading to the highest goal and fulfillment in the field of higher education.

**V.K. Muralidharan**

(M.Com, MBA, M.Sc (Psy) & MA (Busi Eco)

Head of the PG Dept of Commerce & Management Studies

SNGS College, Pattambi, Palakkad Dt, Kerala-679 306

## Message from Principal

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“Fedha (finance) is always considered as wealth and knowledge. Here I appreciate the cordial spirit of the department of Commerce for achieving new destination.”

**Dr. E. Jayan**

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### **About the Authors**

**Rathi K.N.** is currently working as Assistant Professor, PG Department of Commerce and Management studies, Sreekrishnapuram V.T. Bhattathiripad College Mannampatta, Palakkad, affiliated to University of Calicut. She had acted as resource person in Several state level and National level Seminars and one workshop on research methodology & SPSS. She had presented research papers in National and International Seminars in the field of Commerce /education and had published research articles in National and international journals and co-edited two books on topics related to Commerce & Management studies. Her area of interest includes Research Methodology, Indian Financial system and be Organizational Behaviour.



**Kamalraj Mohan** is currently working as Assistant Professor, PG Department of Commerce and Management studies, Sreekrishnapuram V.T. Bhattathiripad College Mannampatta, Palakkad, affiliated to University of Calicut. He has ten years of teaching experience in Education and one year experience in the field of Commerce education. He is very much interested in Human resource Management, Organizational Behaviour. He has presented research papers in National and international seminars and published articles in National journals.



# 33 | Investor's Attitude Towards Systematic Investment Plan

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**Saranya C.M.**

Assistant Professor

VTB College, Mannampatta

saranyacheriyedath@gmail.com

9744119249

## **Introduction**

A systematic investment plan is a type of mutual fund in which the investors can invest a fixed sum of money on a regular basis for a definite period of time. i.e. the period may be monthly, quarterly, or on a yearly basis. On the basis of this feature of SIP we can make an inference that SIP focuses on helping the middle and lower income people to save regularly.

In India, Majority of the population are belongs to rural areas. And whether we classified them on the basis of their annual income, and then they were coming under the category of middle and lower income groups. Majority of them earns on a daily basis. They are struggling to meet the expenditure incurred for their survival, i.e. the expenses incurred for meeting the basic needs. But, for a while the situation has changed nowadays. The middle & lower income people are also engaged in saving. They save a small portion of their earnings. For the purpose of meeting certain future expenditure like children education, marriage, for constructing new house etc. usually they relied on bank savings account, recurring deposit account, post office savings schemes, FD etc. Main reasons behind for choosing such conventional deposit schemes are, they less risky than other investment modes. In fact they are seeking for higher return, but the risk factor preventing for those action.

In short SIP is a systematic way of investing, where we can make regular investments for a pre-determined period of time. SIPs are best

in market with higher return and comparatively low risk factors. Very often many invest in equity market and other investment schemes to achieve their short term goals, but they ignoring long term financial goals. You could effectively achieve your financial goals through SIP. The earlier you start the better it is.

This paper is an attempt to study the attitude of rural investors towards SIP. And also trying to make a gender wise and age wise comparison with attitude towards SIP.

### **Significance of the Study**

The present study mainly aims to analyse the attitude of rural people towards systematic investment plan. Basically there are majority of rural areas are having a habit of saving. For that purpose they are used to invest in conventional deposit schemes like bank SD, RD, PO deposits etc. So there is a notable significance for this study in the present scenario is to analyse the attitude of rural people towards SIP and bothering them, who are unaware about SIPs the salient features and benefits of SIP.

### **Scope of the Study**

The present study is conducted to analyse the attitude of rural investors towards SIP. The scope of the study limited only to the investors in kongad Gramapanchayat, Palakkad district.

### **Objectives**

- To Study the attitude of investors towards SIP.
- To study whether there is any significant difference between gender and attitude of investors towards SIP.
- To study whether there is any significant difference between age and attitude of investors towards SIP.

### **Hypothesis**

1.  $H_0$  : There is no significant difference between males and females with regards to attitude towards SIP.
2.  $H_0$  : There is no significant difference between different age group with regards to attitude towards SIP.
3.  $H_0$  : There is no significant difference between different incomegroup with regards to attitude towards SIP.

### **Research Methodology**

A descriptive research design is used for the study. The research Area is limited to Kongad Gramapanchayat, Palakkad.

### **Source of Data**

This study is based on primary as well as secondary data. A well-structured questionnaire is used for collecting primary data. The secondary data collected from books, records & journals.

### **Sampling Procedure**

Sampling method: convenient sampling.

Sample Size : 40

### **Research Tools**

1. Percentage analysis
2. t test.
3. Annova

### **Review of Literature**

There are a lot of studies related with SIP are available for reference. The reviews of following research works provide valuable information regarding mutual fund SIP.

- Singhal S. & Goel . M(2011 : Their empirical study reveals that SIP plans has performed better than the lump sum investment.
- Shelly Singhal (2011): Shelly Singhal stated that SIP is one of the emerging trend in Security market.
- Dr. Ravi Visa (2012): According to him investors are unaware about SIP and they are still preferring conventional deposit schemes.
- Joseph G, Telma M & Romeo A (2015): have observed that when the market volatile in nature, then the SIP is less risky than lump sum investment. SIP works more efficiently and profitably only on bearish market whereas lump sum investment gives high returns in bullish market.
- Sharma R (2015): His study states that the name objectives behind the investment in mutual fund are good rate of return and tax benefit. He also suggested there is no significant difference between male and female in investment experience.

### **Theoretical Framework**

SIP, stands for Systematic Investment Plan, is a method of mutual fund investment in a systematic and regular basis. The procedure to invest in SIP is as same as the procedures of Bank RD, where a fixed

amount of money is invested. The only difference between SIP and RD are where SIP, the money is deployed in a mutual fund scheme and not in recurring deposit A/c, and hence the mutual fund investment is affected by the market variations.

### **Salient Features of SIP**

#### ***Compounding Effect***

The process of compounding reminds the importance of earning money or return works if only starts investment at an early age. Through the process of compounding one can multiplies the return when he started earning at an early age. Thus the SIP maximises the wealth of an investor through compounding effect

#### ***SIP helps in Systematic financial planning***

SIP helps to plan long term financial goals. A person can be able to meet his future requirements with the help of this kind of investment which will also increase his wealth.

#### ***SIP reduces the market risk through rupee cost averaging***

Success in stock market deals with the perfect timing i.e. the investor should have a proper knowledge about where to invest, when to invest and how much to invest. SIP schemes help to make decisions on time through rupee cost averaging. Rupee cost averaging is an automatic timing mechanism that eliminates the need to time once investments.

#### ***Convenience***

Investor can transfer their money by electronic fund transfer and also can use post-dated cheques for the same.

#### ***Affordable to small investors***

#### **Types of SIPs**

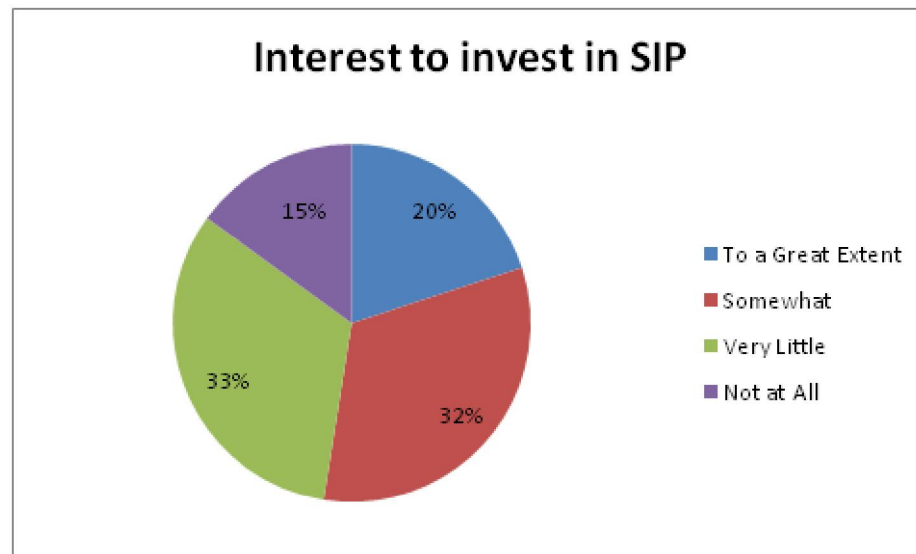
- **Top Up SIP** : These kind of plans are advantageous to the investor that they able to increase the investment amount at regular intervals. It not only increases the investment amount but also help to achieve the financial goals.
- **Perpetual SIP** : Perpetual SIPs are those schemes in which the investors need not to enter the closing date in the SIP mandate.
- **Flexible SIP** : in this plan investor can increase or decrease the volume of investment depending on financial condition. There is no fixed amount.

- **Trigger SIP** : in this plan SIP amount determined by market volatility and investors have to set an index level before the investment.

**Results and Discussion**

**Table 1**  
**Rural investors' interest to invest in SIP**

<i>Opinion</i>	<i>No. of respondents</i>	<i>Percentage</i>
To a Great Extent	8	20.0%
Somewhat	13	32.5%
Very Little	13	32.5%
Not at All	6	15.0%
<b>Total</b>	<b>40</b>	<b>100%</b>



**Fig. 1. Rural investors' interest to invest in SIP**

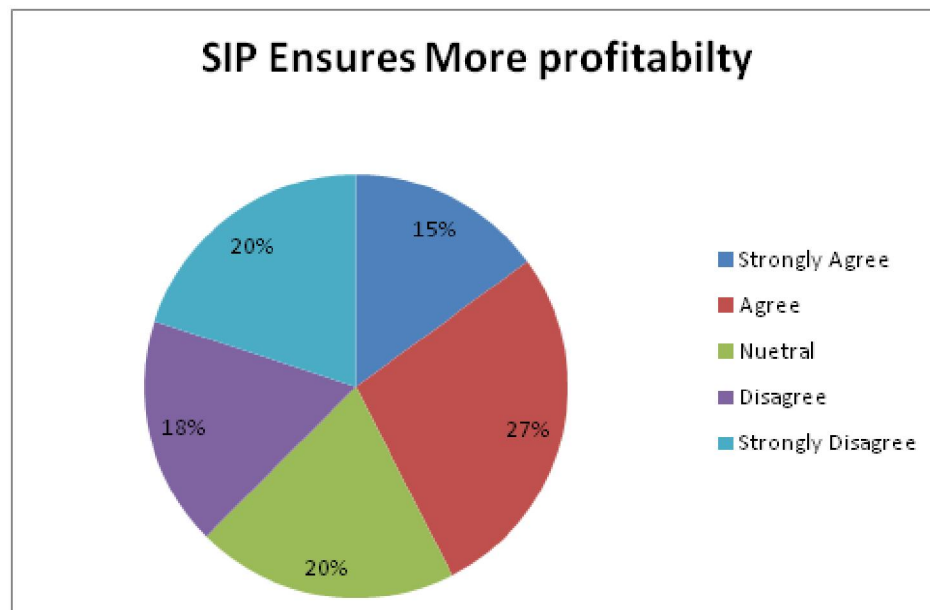
**Interpretation**

The figure 1 Shows that 20 % of the respondents were interested to invest in SIP to a great extent. 15% were not at all interested.



**Table 2**  
**SIP Ensures More profitability**

<i>Attitude</i>	<i>No. of respondents</i>	<i>Percentage</i>
Strongly Agree	6	15.0%
Agree	11	27.5%
Nuetral	8	20.0%
Disagree	7	17.5%
Strongly Disagree	8	20.0%
<b>Total</b>	<b>40</b>	<b>100%</b>



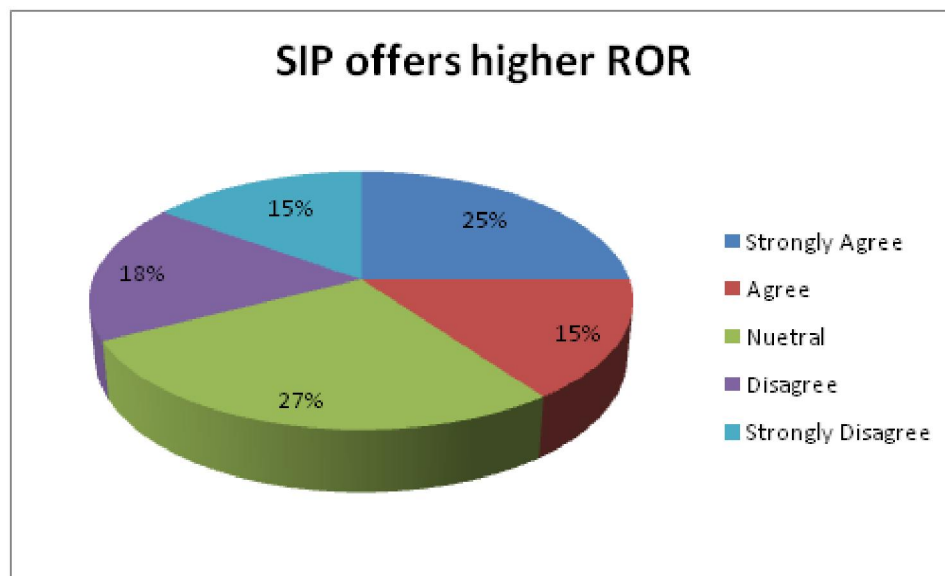
**Fig. 2: SIP Ensures more profitability**

***Interpretation***

It is interpreted that 27.5% were agree with the statement that SIP ensures more profitability, whereas 20% still not rely on SIP i.e. they strongly disagree with the statement

**Table 3**  
**SIP offers higher ROR**

<i>Attitude</i>	<i>No. of respondents</i>	<i>Percentage</i>
Strongly Agree	10	25.0%
Agree	6	15.0%
Nuetral	11	27.5%
Disagree	7	17.5%
Strongly Disagree	6	15.0%
<b>Total</b>	<b>40</b>	<b>100%</b>



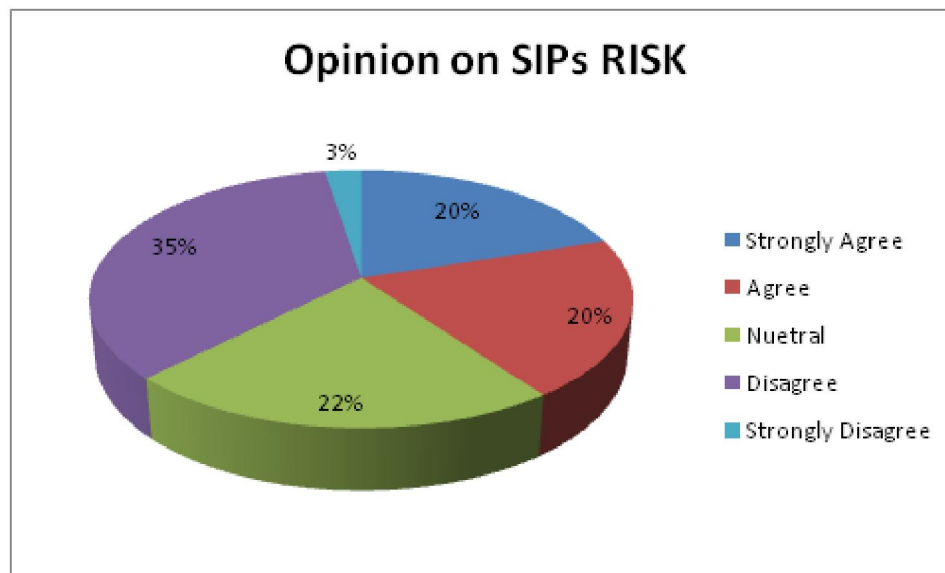
**Fig. 3. SIP offers higher ROR**

### ***Interpretation***

From the diagram we can interpreted that majority of respondents were agree with the statement 'SIP offers higher ROR'. At the same time 17% of respondents refused to agree with it.

**Table 4**  
**Opinion on SIP Risk**

<i>Attitude</i>	<i>No. of respondents</i>	<i>Percentage</i>
Strongly Agree	8	20.0%
Agree	8	20.0%
Nuetral	9	22.5%
Disagree	14	35.0%
Strongly Disagree	1	2.5%
<b>Total</b>	<b>40</b>	<b>100%</b>



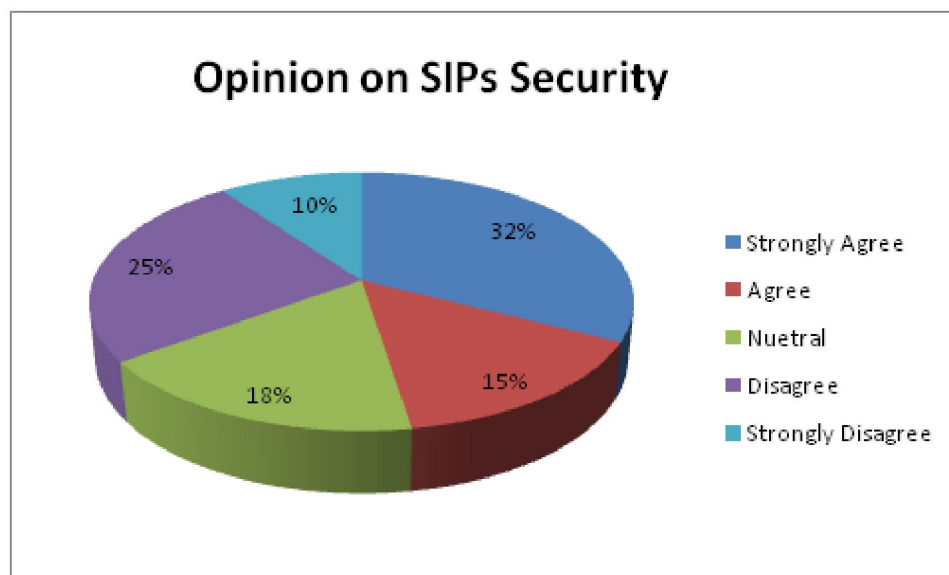
**Fig. 4 : Opinion on Risk**

***Interpretation***

About 35% of respondents were disagree with the statement that the SIP possess less risk. Only 20% believes SIP is less risky than other investmes.

**Table 5**  
**Opinion on SIPs Security**

<i>Attitude</i>	<i>No. of respondents</i>	<i>Percentage</i>
Strongly Agree	13	32.5%
Agree	6	15.0%
Nuetral	7	17.5%
Disagree	10	25.0%
Strongly Disagree	4	10.0%
<b>Total</b>	<b>40</b>	<b>100%</b>



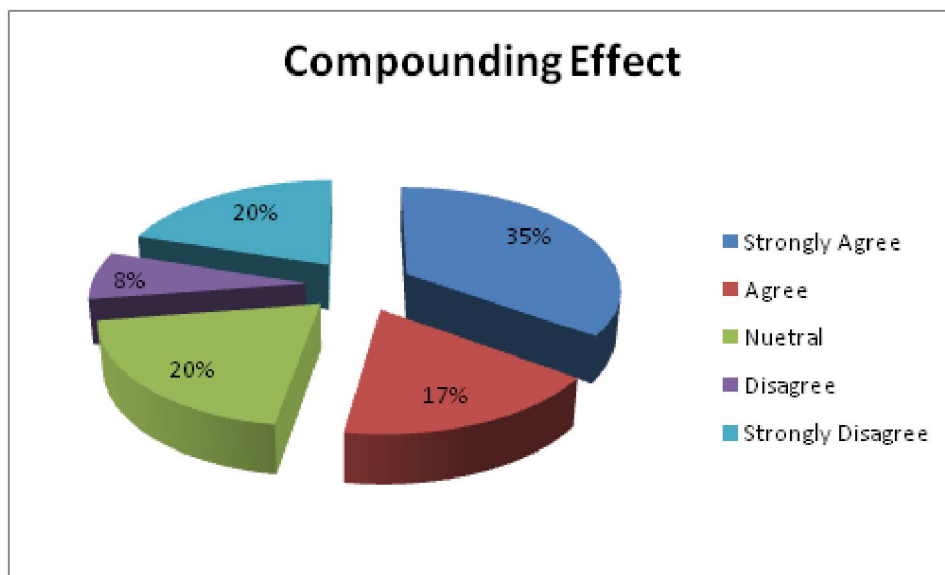
**Fig. 5: Opinion on SIPs Risk**

### ***Interpretation***

Above diagram shows that majority of the investors feels that SIP provides much security to their investment. And such an opinion of investors will increase the scope SIP in the financial markets.

**Table 6**  
**Opinion on compounding effect**

<i>Attitude</i>	<i>No. of respondents</i>	<i>Percentage</i>
Strongly Agree	14	35.0%
Agree	7	17.5%
Nuetral	8	20.0%
Disagree	3	7.5%
Strongly Disagree	8	20.0%
<b>Total</b>	<b>40</b>	<b>100%</b>



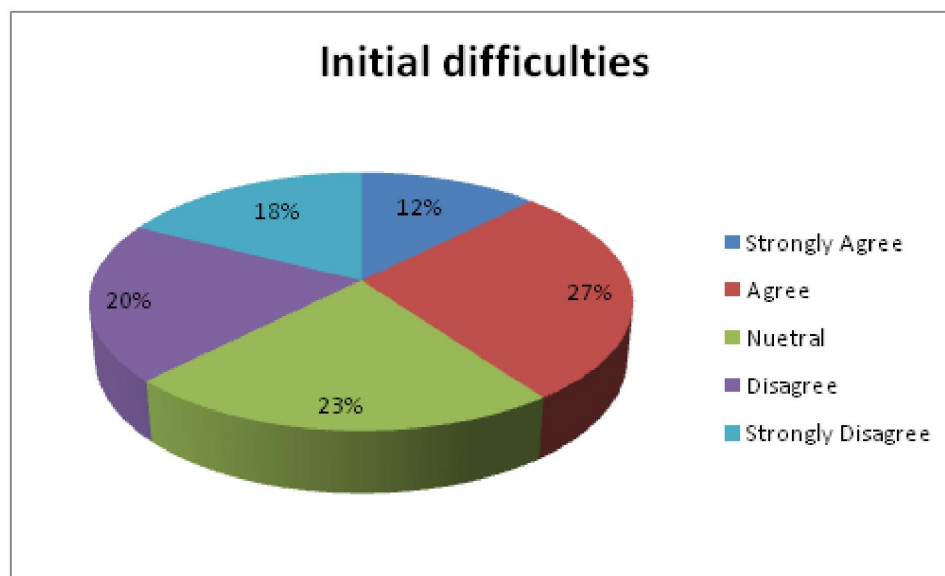
**Fig. 6: Opinion on compounding effect**

### ***Interpretation***

About 35% of respondents strongly agrees that SIP schemes are enriches with the benefit of compounding effect. Such features of SIP ensures wealth maximization of investors.

**Table 7**  
**SIP have Initial difficulties**

<i>Attitude</i>	<i>No. of respondents</i>	<i>Percentage</i>
Strongly Agree	5	12.5%
Agree	11	27.5%
Nuetral	9	22.5%
Disagree	8	20.0%
Strongly Disagree	7	17.5%
<b>Total</b>	<b>40</b>	<b>100%</b>



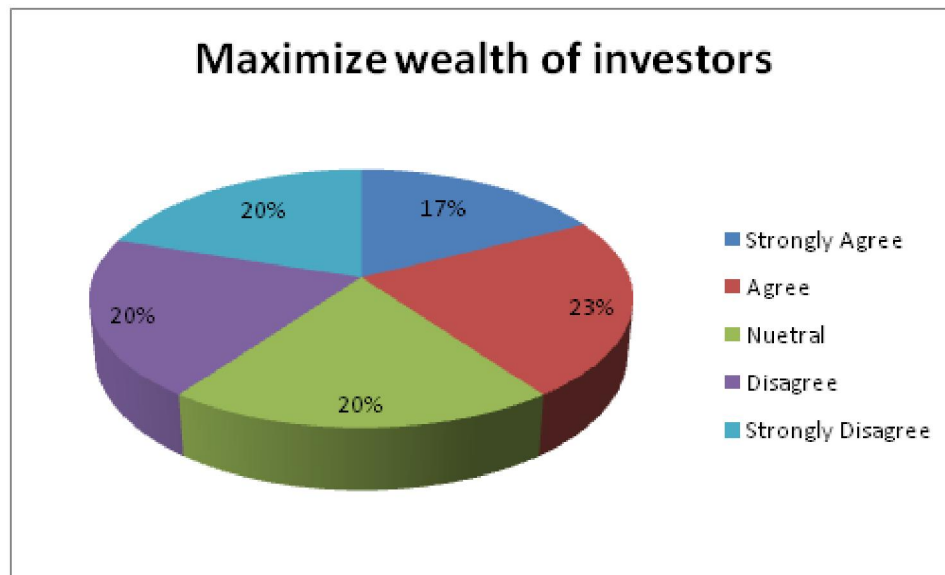
**Fig. 7: SIP have Initial difficulties**

### ***Interpretation***

Majority of the investors, i.e, 28% were agreed that they had faced initial difficulties while make their first step towards SIP.

**Table 8**  
**Maximize wealth of investors**

<i>Attitude</i>	<i>No. of respondents</i>	<i>Percentage</i>
Strongly Agree	7	17.5%
Agree	9	22.5%
Nuetral	8	20.0%
Disagree	8	20.0%
Strongly Disagree	8	20.0%
<b>Total</b>	<b>40</b>	<b>100%</b>



**Fig. 8: Maximize wealth of investors**

***Interpretation***

We can interpreted from the above diagram that least of the investors strongly agrees with the statement that SIP maximizes their wealth.

**Testing of Hypothesis****Table 1****Test of Significance of Difference between Males and Females with regards to Attitude towards SIP using T-Test**

Sample	Mean	Standard Deviation	n	Level of Significance	t-value
IT Industry	25.42	7.41	24	5%	0.76
Banking Industry	23.63	7.31	16		

Calculated value of t-test is 0.76, which is less than the table value at 5% Level of Significance with 38 degree of freedom, i.e., 2.02. Therefore, the null hypothesis is accepted and alternative hypothesis is rejected and concluded that *there exists no significant difference between Males and Females with regard to their attitude towards SIP.*

**Table 1****Test of Significance of Difference between the Different Age Group with regard to Attitude towards SIP using One Way ANNOVA**

Source	SS	df	MS	F
Between Group	242	3	80.67	1.57
Within Group	1852.67	36	51.46	
<b>Total</b>	<b>2094.67</b>			

Calculated value of F Distribution is 1.57, which is less than the table value at 5% Level of Significance with (3,36) degree of freedom, i.e., 2.84. Therefore, the null hypothesis is accepted and alternative hypothesis is rejected and concluded that *there exists no significant difference between different Age Group people with regard to Attitude towards SIP.*

**Table 1****Test of Significance of Difference between the Different Income Group with regard to Attitude towards SIP using One Way ANNOVA**

Source	SS	df	MS	F
Between Group	912.164	3	304.055	9.26
Within Group	1182.50	36	32.84	
<b>Total</b>	<b>2094.67</b>			

Calculated value of F Distribution is 9.26, which is greater than the table value at 5% Level of Significance with (3,36) degree of freedom,



i.e., 2.84. Therefore, the null hypothesis is rejected and alternative hypothesis is accepted and concluded that *there exists significant difference between different Income Group people with regard to Attitude towards SIP.*

### **Findings**

- About 20% of the respondents were interested to invest in SIP to a great extent. 15% were not at all interested
- About 35% of respondents strongly agrees that SIP schemes are enriches with the benefit of compounding effect.
- There is no significant difference between males and females with regards to attitude towards SIP
- There is no significant difference between different age group with regards to attitude towards SIP
- There is significant difference between different income group with regards to attitude towards SIP

### **Conclusion**

The study reveals that SIP possess relevant features of investment in present scenerio and the same is more advantageous to those investors who are willing to earn high return at minimum risk. A notable finding of this study is SIP schemes are enriches with the features of compounding effect and it will maximize the wealth of investors.

The present study mainly focused on agewise, genderwise and monthly income based comparison with the attittude of investors towards SIP. At the endo of the study we got a result that there is no significant difference between age and investors attittude and also gender and attittude of investors. But there exists a significance of difference between income group with regard to attittude of investors towards SIP.

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